

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

In Re: W.R. GRACE & CO., et al., Debtors.	§ § § § § §	Chapter 11 Jointly Administered Case No. 01-01139 (JKF)
--	--	--

**FEE AUDITOR'S FINAL REPORT REGARDING
FOURTH INTERIM QUARTERLY FEE APPLICATION OF
THE BLACKSTONE GROUP L.P.**

This is the final report of Warren H. Smith & Associates, P.C. ("Smith"), acting in its capacity as fee auditor in the above-captioned bankruptcy proceedings, regarding the Fourth Interim Quarterly Fee Application of the Blackstone Group L.P. (the "Application").

BACKGROUND

1. The Blackstone Group L.P. ("Blackstone") was retained as financial advisers to the Debtors. In the Application, Blackstone seeks approval of fees totaling \$525,000.00 and costs totaling \$7,491.87 for its services from January 1, 2002, through March 31, 2002.

2. In conducting this audit and reaching the conclusions and recommendations contained herein, we reviewed in detail the Application in its entirety, including each of the time entries included in the exhibits to the Application. We reviewed the Application for compliance with the Local Rule 2016-2 of the Local Rules of the United States Bankruptcy Court for the District of Delaware, Amended Effective February 1, 2001, and the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. 330, Issued January 30, 1996, (the "Guidelines"), as well as for consistency with precedent

established in the United States Bankruptcy Court for the District of Delaware, the United States District Court for the District of Delaware, and the Third Circuit Court of Appeals. We served an initial report on Blackstone, and received from it a response to our initial report.

DISCUSSION

General Issues

3. While Blackstone was retained pursuant to an engagement agreement providing for Blackstone to be paid a flat monthly fee of \$175,000, its fees remain subject to the provisions of 11 U.S.C. § 330. The Order Appointing Fee Auditor in Accordance with the Court's Direction (the "Fee Auditor Order") provides that

[t]his order applies to (i) all professionals in these cases employed or to be employed pursuant to sections 327, 328 or 1103 of the Bankruptcy Code; and (ii) any claims for reimbursement of professional fees and expenses under section 503(b) of the Bankruptcy Code to the extent permitted by the Court, except: (a) professionals providing services pursuant to an order that does not require submission of fee applications; and (b) professionals retained pursuant to the Court's Order pursuant to §§ 1107(a) and 1108 Authorizing the Debtors to Employ and Compensate Certain Professionals Utilized in the Ordinary Course of the Debtors Business, dated May 3 2001.

Fee Auditor Order at 2 (internal footnote omitted). Accordingly, Smith has reviewed the Application to determine compliance with the requirements of section 330.

4. We note initially that Blackstone professionals spent a total of 708.50 hours on the activities for which fees totaling \$525,000 are sought. The effective hourly rate is thus \$741.00.

5. In our initial report we noted that inadequate detail was a problem for all three of the Blackstone professionals who worked on the case, and the Application did not contain a narrative summarizing its activities that would enable us to place the time entries into context. We noted that Blackstone was retained to provide 12 specified categories of financial services to the Debtors, but

the categories into which time entries are assorted do not match those 12 specified categories. We noted that in the absence of a narrative, we cannot determine whether Blackstone has provided the services contemplated by the Court in approving the \$175,000 monthly flat-fee arrangement or whether such services were necessary or beneficial under 11 U.S.C. § 330(a)(3)(C). We therefore requested that Blackstone provide a narrative describing its activities and the value of such activities to the Debtors and their estates. Blackstone responded as follows:

Pursuant to the Amended Administrative Order dated April 17, 2002, Blackstone's monthly fee applications have included a summary substantially in the form of Local Form 101, the monthly invoice, detail of expenses for which reimbursement is sought, and "fee detail" in the form of time records. Pursuant to the request in the Initial Report, Blackstone will provide more detail in the description of its activities. . . .At the Fee Auditor's request, Blackstone has provided a narrative describing its activities for the time period under review in the Initial Report.

Blackstone's narrative is attached hereto as Exhibit A. We believe that this narrative satisfies our request.

Specific Entries

6. In the initial report we noted that the Application seeks reimbursement of \$548.34 of word processing expenses. Paragraph II.E.7. of the Guidelines instructs us to consider "[w]hether the expenses appear to be in the nature of nonreimbursable overhead." The Guidelines go on to state that:

Overhead includes word processing, proofreading, secretarial and other clerical services, rent, utilities, office equipment and furnishings, insurance, taxes, local telephone and monthly car phone charges, lighting, heating and cooling, and library and publications charges.

Thus, in the initial report we asked Blackstone to please explain why this expense should not be considered nonreimbursable overhead. Blackstone responded:

Blackstone does not maintain an in-house fully staffed word processing department. Temporary processors are used on an "as needed" basis. Word processing charges are automatically allocated to a client based on the operator's log-in by a client matter number. Clients are charged at the

personnel cost of \$70.00 per hour for the actual amount of time spent by the operator while rendering word processing services to the client.

From this response, it was unclear to us whether these “temporary processors” were employees of Blackstone or were outside vendors, and thus we asked this question of Blackstone. Blackstone responded:

In response to the point made in paragraph 7 of the Initial Report, to explain why word processing charges should not be considered nonreimbursable overhead, and in response to subsequent questions, Blackstone respectfully directs the Fee Auditor to the following:

The amount of \$70 per hour is the historical standard charge for word processing charges allocated to each client when appropriate. An analysis of the estimated 2002 costs associated with the word processing department, including compensation for Blackstone employees and temporary operators, space and occupancy, and other related expenses and estimated hours of use results in an amount of approximately \$50 per hour. Blackstone respectfully submits that these charges should not be considered overhead. The Word Processing Department does exist to service the needs of all Blackstone clients and internal needs as well. However, the size and costs of the department are related to the requirements of its clients and its use; if the in-house department did not provide these services related to its work for the Debtors, Blackstone would have to outsource this work, which Blackstone believes would result in a higher cost to the client. However, as our most recent estimate of such costs is less than \$70 per hour, Blackstone represents that all future charges for 2002 will be billed at the lower charge; we will also reimburse the Debtors for the any amounts already paid at the higher rate in 2002.

Thus, it appears that Blackstone does maintain a word processing department, and charges clients for any use of this department. Blackstone does not maintain that this \$548.34 in word processing was for overtime charges caused by the exigencies of the case, but states that Blackstone routinely charges for these services. However, we believe that the routine nature of this charge militates in favor of this charge being considered overhead, and therefore recommend a reduction of \$548.34 for this charge.

7. In our initial report, we noted that on 1/2/02, there is an expense item indicating a payment of \$1,601.25 for legal fees:

<u>Professional Legal Fee</u>	
Simpson Thacher & Bartlett 01/02/02	\$1,601.25

The Application's Cumulative Expense Summary contains this charge under the Expense Category of "Other" and the narrative portion of the Application does not explain the services performed by this law firm, and thus in the initial report we asked Blackstone to please explain the nature of the services provided and the basis for the pass-through of this law firm's fees. Blackstone responded:

The charge for Simpson Thacher & Bartlett related to services provided to Blackstone at the time of its retention with respect to the filing of its application and the negotiation of its order with certain of the Committees. Because these are legal proceedings, Blackstone requires legal advice concerning retention and compensation issues that affect it from time to time in these proceedings. Blackstone needs to obtain such advice from counsel familiar with such issues who is not conflicted from representing some other party in the case. The Blackstone Agreement of Retention specifically provided for reimbursement of expenses of this type and the Retention Order expressly provided for the Debtors to reimburse Blackstone for 'expenses as provided in the Blackstone Agreement'.

We believe that this information satisfies our concern.

8. We note that the other large charge in the expense category of "Other" is a charge for Publication of \$1,200.00. We asked Pam Zilly of Blackstone to explain this charge, and she responded:

The charge was for receipt of a publication entitled "Thirteenth Annual State of the Industry Report: Review of Infrastructure and Environmental Markets 2001-2002" prepared by Farkas Berkowitz & Company. The report focused on trends in the infrastructure and environmental markets in specific industries such as power, transportation, and telecommunications. It was less helpful in providing a greater understanding of how trends in environmental regulation would impact W.R. Grace's oil refinery catalyst business (for example, the demand for catalysts to reduce emissions in accordance with more stringent environmental regulations) or of the magnitude of Grace's potential liability for environmental investigatory and remediation costs related to continuing and discontinued operations as a designated "potentially responsible party" by the EPA at approximately 30 sites and at other sites under the jurisdiction of state and/or other local authorities. Based on this assessment of the value of the report, I have determined that the charge should be removed and the amount either issued as a credit on a subsequent invoice or otherwise refunded to the Debtors.

Thus we recommend a reduction of \$1,200.00 in expenses for this charge.

9. In our initial report we noted that between 1/4/02 and 2/24/02, and again from 3/15/02 to 3/28/02, professionals Zilly, Blechman, and Alexander spent a total of 164.50 hours on a compensation presentation. See Exhibit B. In our initial report we asked Blackstone to please

explain the nature of this presentation and its value to the Debtors and their estates. Blackstone's response is set forth in Exhibit C, and we believe that this response satisfies our concern.

10. In our initial report we noted that between 1/7/02 and 1/29/02, professionals Zilly, Blechman and Alexander spent a total of 28.00 hours on EPA analysis. See Exhibit D. Thus we asked Blackstone to please explain the nature of this analysis and its value to the Debtors and their estates. Blackstone responded:

In response to the point . . . that the nature of the EPA analysis be explained, Blackstone respectfully directs the Fee Auditor to the following:

(a) At the request of the Chief Restructuring Officer of the Debtors, Blackstone prepared an analysis which outlined a range of possible outcomes with respect to recoveries to creditors depending on the size of any potential attic fill liability. The CRO used such presentation in discussions with the EPA regarding its views as to appropriate action with respect to Libby, Montana. The issue of that whole area of potential liability is central to any plan or reorganization and Blackstone's analysis was on point is its role of advising the Debtors as to issues and outcomes that will affect a plan of reorganization.

We believe that this explanation satisfies our concern.

11. We note that on 3/12/02, professionals Zilly, Shinder and Blechman attended a meeting in Columbia with committee advisors. The total time spent including non work travel was 31.50 hours. See Exhibit E. Because Blackstone was retained under Section 328(a), the issue of multiple professionals at a meeting may not support a reduction in fees, but we wanted to bring this matter to the court's attention.


12. We note that the Application contains a charge of \$2,389.91 for "Airfare/Railroad/Travel Local", which raised some concern about whether first class airfare was charges. However, a review of these charges indicates that the largest charges are for a number of trips by railroad, and the only airfare charge we found was one for \$251.75, and thus we have no objection to these charges.

CONCLUSION

13. Thus, we recommend approval of fees totaling \$525,000.00 and costs totaling \$5,743.53 (\$7,491.87 minus \$1,748.34) for Blackstone's services from January 1, 2002, through March 31, 2002.

Respectfully submitted,

WARREN H. SMITH & ASSOCIATES, P.C.


By: 
Warren H. Smith
State Bar No. 18757050

900 Jackson Street
120 Founders Square
Dallas, Texas 75202
214-698-3868
214-722-0081 (fax)
whsmith@whsmithlaw.com

FEE AUDITOR

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been served First Class United States mail to the attached service list on this 31st day of July, 2002.


Warren H. Smith

SERVICE LIST

Notice Parties

The Applicant

Pamela D. Zilly
Senior Managing Director
The Blackstone Group L.P.
345 Park Avenue
New York, NY 10154

Michael R. Lastowski, Esq.
Duane Morris & Heckscher
1100 N. Market Street, Suite 1200
Wilmington, De 19801-1246

The Debtors

David B. Siegel, Esq.
Sr. V.P. and Gen. Counsel
W.R. Grace & Co.
7500 Grace Drive
Columbia, MD 21044

Counsel to the Official Committee of Property Damage Claimants

Scott L. Baena, Esq
Bilzin, Sumberg, Dunn, Baena, Price &
Axelrod
First Union Financial Center
200 South Biscayne Boulevard, Suite 2500
Miami, FL 33131

Counsel for the Debtors

James H.M. Sprayregen, Esq.
Kirkland & Ellis
200 East Randolph Drive
Chicago, IL 60601

Michael B. Joseph, Esq.
Ferry & Joseph, P.A.
824 Market Street, Suite 904
P.O. Box 1351
Wilmington, DE 19899

Laura Davis Jones, Esq.
Pachulski, Stang, Ziehl, Young & Jones, P.C.
919 North Market Street, Suite 1600
P.O. Box 8705
Wilmington, DE 19899-8705

Counsel to the Official Committee of Personal Injury Claimants

Elihu Inselbuch, Esq.
Caplin & Drysdale
399 Park Avenue, 36th Floor
New York, NY 10022

Counsel for the Official Committee of Unsecured Creditors

Lewis Kruger, Esq
Stroock & Stroock & Lavan
180 Maiden Lane
New York, NY 10038-4982

Matthew G. Zaleski, III, Esq.
Campbell & Levine
Chase Manhattan Centre, 15th Floor
1201 Market Street, Suite 1200
Wilmington, DE 19801

Official Committee of Equity Holders

Thomas M. Mayer, Esq.
Kramer Levin Naftalis & Frankel
919 Third Avenue
New York, NY 10022

Teresa K.D. Currier, Esq.
Klett Rooney Lieber & Schorling
1000 West Street, Suite 1410
Wilmington, DE 19801

United States Trustee

Office of the United States Trustee
Frank J. Perch, Esq.
844 King Street, Suite 2311
Wilmington, DE 19801

Exhibit A

NARRATIVE DESCRIPTION OF ACTIVITIES DURING THE PERIOD January 1, 2002 through March 31, 2002

(Note: "Committees" refers to the Unsecured Creditors Committee, the Asbestos Personal Injury Committee, the Property Damage Committee and the Equity Committee officially appointed in this case)

The financial services provided by Blackstone to the Debtors during this period included:

- 1) advising the Debtors with respect to the acquisition of Addiment Incorporated by the Specialty Construction Chemicals division of Grace including (i) the preparation and review of documents explaining the reason for and terms of the transaction to be presented to the four Committees (ii) the discussion of the transaction with the Committees' legal and financial advisors, (iii) the preparation of responses and materials in response to due diligence of the transaction by the Committees and their legal and financial advisors, (iv) the preparation and review of the motion related to the transaction;
- 2) advising the Debtors with respect to the closing of the Darex manufacturing facility in Atlanta and the move of operations to Chicago including (i) the review of documents outlining the cost effectiveness of the move, (ii) the discussions regarding the proposed action with the Committees' legal and financial advisors and the dissemination of information in response to their questions regarding cost savings and other requested financial information
- 3) advising the Debtors with respect to the formulation of a revised retention program, incentive compensation program, and severance program including (i) the analysis of employee data, (ii) the review of other comparable programs, (iii) discussions with the Committee advisors, (iv) the preparation of a presentation outlining the proposed programs, (iv) the presentation of such material to the Committees' financial advisors, and (v) the ongoing negotiations regarding such programs
- 4) advising the Debtors with respect to the presentation of recent operating results including (i) the reviews of such results, (ii) the preparation an analyses comparing such results to the Business Plan, (iii) the participation in phone calls with the Committees' financial advisors discussing such results, and (iv) the preparation and dissemination of materials with respect to the Committees' follow-up requests for additional detail
- 5) providing quantitative and qualitative analysis in support of the Debtors' potential acquisition, joint venture or other business combination with various businesses
- 6) providing quantitative and qualitative analysis with respect to presentations made to Judge Wolin and the EPA regarding the Debtors' financial condition and possible POR scenarios
- 7) advising the Debtors with respect to issues surrounding other Liabilities Subject to Compromise such as tax claims, pension issues, environmental obligations.
- 8) commencing the preparation of a restructuring model to integrate the Debtors' operating plans and possible restructuring alternatives
- 9) the analysis of comparable companies for valuation purposes
- 10) providing strategic and business advice in connection with the bankruptcy.

The successful completion of the Addiment transaction and the Darex plant closing, and Blackstone's efforts with respect to working with the Committees to gain their consent, allow Grace to leverage its existing business in the SCC division (in the case of Addiment transaction) and to reduce its cost structure by \$2 million (in the case of the Darex plant closing) – both of which add value to the estate.

The efforts expended by Blackstone in advising the Debtors with respect to other transactions also add value since a key element of Grace's business strategy is to make "bolt-on" acquisitions which add depth and range to its product lines.

Blackstone's efforts with respect to the employee programs provide the Debtors with insights on the appropriate structure of plan essential to keeping key employees which the Debtors believe is instrumental in continuing their strong operating results.

Exhibit B

Pamela Zilly	01/04/02	2.0	Employee Matters	Review latest compensation backup and analysis
Pamela Zilly	01/04/02	1.5	Employee Matters	Meeting with D. Blechman re: status of compensation presentation, case issues.
Pamela Zilly	01/08/02	0.5	Employee Matters	Call with B. McGowan re: compensation matters
Pamela Zilly	01/09/02	1.5	Employee Matters	Review compensation presentation and backup analysis
Pamela Zilly	01/09/02	1.5	Employee Matters	Meeting with D. Blechman, M. Alexander re: compensation presentation, additional needs
Pamela Zilly	01/11/02	0.5	Employee Matters	Call with N. Bubnovich re: compensation presentation
Pamela Zilly	01/11/02	0.5	Employee Matters	Call with B. McGowan re: comp matter
Pamela Zilly	01/13/02	3.0	Employee Matters	Revise compensation presentation
Pamela Zilly	01/14/02	2.0	Employee Matters	Revise compensation presentation
Pamela Zilly	01/15/02	2.0	Employee Matters	Revise compensation presentation
Pamela Zilly	01/18/02	1.0	Employee Matters	Review revised compensation presentation for updated comp numbers
Pamela Zilly	01/18/02	1.0	Employee Matters	Call with B. McGowan re: compensation analysis
Pamela Zilly	01/24/02	1.5	Employee Matters	Discussions with Blechman, M. Alexander re: comp data
Pamela Zilly	01/28/02	2.5	Employee Matters	Meetings with Blechman, M. Alexander re: compensation analysis and presentation
Pamela Zilly	01/29/02	1.0	Employee Matters	Call with D. Blechman, M. Alexander N. Bubnovich re: compensation presentation
Pamela Zilly	01/31/02	1.5	Employee Matters	Review latest compensation backup data and analysis
David Blechman	01/06/02	3.0	Employee Matters	Prepared materials re: compensation
David Blechman	01/07/02	2.5	Employee Matters	Prepared materials re: compensation plan
David Blechman	01/08/02	0.5	Employee Matters	Call with B. McGowan re: compensation matters
David Blechman	01/08/02	1.0	Employee Matters	Revisions to compensation presentation
David Blechman	01/09/02	1.5	Employee Matters	Meeting with P. Zilly, M. Alexander re: compensation presentation
David Blechman	01/14/02	1.0	Employee Matters	Revised analysis of compensation
David Blechman	01/15/02	2.0	Employee Matters	Revised presentation of compensation plan
David Blechman	01/16/02	0.5	Employee Matters	Call with S. Krawczel re: compensation
David Blechman	01/16/02	0.5	Employee Matters	Call with S. Krawczel and M. Piergrossi re: same
David Blechman	01/16/02	1.5	Employee Matters	Reviewed compensation materials
David Blechman	01/18/02	2.0	Employee Matters	Revise compensation analysis for updated numbers
David Blechman	01/18/02	1.0	Employee Matters	Call with P. Zilly, B. McGowan re: compensation analysis
David Blechman	01/23/02	1.0	Employee Matters	Discussions with M. Alexander re: new comp numbers
David Blechman	01/24/02	1.5	Employee Matters	Reviewed compensation materials with P. Zilly
David Blechman	01/24/02	0.5	Employee Matters	Call with M. Piergrossi re: compensation materials
David Blechman	01/24/02	0.5	Employee Matters	Meeting with M. Alexander re: compensation analysis and presentation
David Blechman	01/28/02	2.5	Employee Matters	Meetings with P. Zilly and M. Alexander re: analysis of compensation
David Blechman	01/29/02	1.0	Employee Matters	Meeting with P. Zilly, M. Alexander, N. Bubnovic re: compensation issues
David Blechman	01/29/02	0.5	Employee Matters	Call with S. Krawczel and M. Alexander re: compensation
David Blechman	01/30/02	1.0	Employee Matters	Reviewed compensation materials with M. Alexander

David Blechman	01/30/02	0.5	Employee Matters	Call with S. Krawczel re: compensation
Michael Alexander	01/09/02	1.5	Employee Matters	Meeting with P. Zilly, D. Blechman re: compensation analysis
Michael Alexander	01/11/02	2.0	Employee Matters	Update comparable compensation analysis
Michael Alexander	01/18/02	2.5	Employee Matters	Update compensation analysis, presentation
Michael Alexander	01/18/02	1.0	Employee Matters	Call with P. Zilly, D. Blechman, B. McGowan re: compensation presentation
Michael Alexander	01/23/02	1.0	Employee Matters	Discussion with D. Blechman re: new comp data
Michael Alexander	01/23/02	6.5	Employee Matters	Categorized compensation data based on LTIP, AICP, and retention tiers
Michael Alexander	01/24/02	1.5	Employee Matters	Meeting with P. Zilly, D. Blechman re: comp analysis
Michael Alexander	01/24/02	0.5	Employee Matters	Meeting with D. Blechman compensation re: analysis
Michael Alexander	01/24/02	4.5	Employee Matters	Analyze new compensation data and model case
Michael Alexander	01/28/02	2.5	Employee Matters	Meetings with P. Zilly and D. Blechman re: analysis of compensation
Michael Alexander	01/29/02	0.5	Employee Matters	Call with S. Krawczel and D. Blechman re: compensation
Michael Alexander	01/29/02	1.0	Employee Matters	Call with P. Zilly, D. Blechman, N. Bubnovich re: compensation presentation
Michael Alexander	01/30/02	2.5	Employee Matters	Revise compensation presentation
Michael Alexander	01/30/02	1.0	Employee Matters	Reviewed compensation materials with D. Blechman
Pamela Zilly	02/01/02	1.0	Employee Matters	Review latest compensation presentation
Pamela Zilly	02/01/02	1.5	Employee Matters	Meeting with D. Blechman and M. Alexander re: comp plan
Pamela Zilly	02/01/02	0.5	Employee Matters	Call with B. McGowan and N. Bubnovich re: compensation presentation
Pamela Zilly	02/07/02	1.0	Employee Matters	Review comp presentation; meeting with D. Blechman re: same
Pamela Zilly	02/07/02	1.0	Employee Matters	Analysis of revised compensation analysis
Pamela Zilly	02/11/02	1.5	Employee Matters	Analysis of revised compensation materials
Pamela Zilly	02/12/02	2.0	Employee Matters	Analysis of revised compensation materials
Pamela Zilly	02/13/02	1.0	Employee Matters	Revision of comp presentation
Pamela Zilly	02/14/02	3.5	Employee Matters	Calls/meeting with D. Blechman, M. Alexander, B. McGowan, N. Bubnovich re: compensation analysis
Pamela Zilly	02/14/02	2.0	Case Administration	Update R. Shinder re: Addiment, Darex, compensation
Pamela Zilly	02/14/02	2.5	Employee Matters	Call re: comp with J. Kapp, N. Bubnovich, D. Blechman and M. Alexander
Pamela Zilly	02/24/02	1.5	Employee Matters	review revised compensation presentation
Richard Shinder	02/19/02	2.0	Employee Matters	Discussions with D. Blechman and M. Alexander re: Addiment status, and compensation proposal
David Blechman	02/01/02	1.0	Employee Matters	Review Revised compensation analysis
David Blechman	02/01/02	1.5	Employee Matters	Meeting with P. Zilly and M. Alexander re: comp analysis
David Blechman	02/01/02	1.0	Employee Matters	Conference call with Andersen, McGowan and M. Alexander re: comp plan
David Blechman	02/06/02	0.5	Employee Matters	Call with N. Bubnovich re comp
David Blechman	02/07/02	1.0	Employee Matters	Revised comp presentation; meeting with P. Zilly re: same
David Blechman	02/12/02	2.5	Employee Matters	Review and revise compensation analysis
David Blechman	02/14/02	3.5	Employee Matters	Calls re: comp with J. Kapp, N. Bubnovich, P. Zilly and M. Alexander
David Blechman	02/14/02	0.5	Employee Matters	Call with B. McGowan re: same
David Blechman	02/15/02	0.5	Employee Matters	Call with McGowan re: comp

David Blechman	02/19/02	2.0	Employee Matters	Revise compensation presentation
David Blechman	02/19/02	2.0	Employee Matters	Discussions with R. Shinder and M. Alexander re: Addiment status, and compensation proposal
Michael Alexander	02/01/02	1.5	Employee Matters	Meeting with P. Zilly and D. Blechman re: comp plan
Michael Alexander	02/01/02	1.0	Employee Matters	Conference call with D. Blechman and Andersen & McGowan re: comp plan
Michael Alexander	02/01/02	4.0	Employee Matters	Updated and compared comparable compensation programs
Michael Alexander	02/04/02	1.5	Employee Matters	review Andersen comp vs TBG analysis
Michael Alexander	02/06/02	0.5	Employee Matters	Call with N. Bubnovich and D. Blechman re comp
Michael Alexander	02/12/02	1.5	Employee Matters	Reviewed compensation analysis
Michael Alexander	02/12/02	4.5	Employee Matters	Revised compensation presentation
Michael Alexander	02/14/02	3.5	Employee Matters	Call re: comp with J. Kapp, N. Bubnovich, P. Zilly and D. Blechman
Michael Alexander	02/19/02	2.0	Employee Matters	Discussions with R. Shinder and D. Blechman re: Addiment status, and compensation proposal
Pamela Zilly	03/17/02	0.5	Employee Matters	Call with B. McGowan re: compensation issue
Pamela Zilly	03/13/02	3.0	Employee Matters	Revisions to compensation analysis
Pamela Zilly	03/20/02	0.5	Employee Matters	Call with B. McGowen re: compensation analysis
Pamela Zilly	03/22/02	1.0	Employee Matters	Meeting with R. Shinder re: comp proposal/
Pamela Zilly	03/25/02	1.0	Committee Matters and Creditor Meetings	Review compensation presentation re: follow-up call with S. Cunningham
Pamela Zilly	03/25/02	1.0	Employee Matters	Discussion with R. Shinder re: comp plan
Richard Shinder	03/15/02	1.5	Employee Matters	Review of compensation proposal
Richard Shinder	03/19/02	1.0	Employee Matters	Review of compensation plan due diligence materials
Richard Shinder	03/22/02	1.0	Employee Matters	Meeting with P. Zilly re: comp proposal, status of responses
Richard Shinder	03/24/02	2.0	Employee Matters	Review of info request materials re: compensation plan
Richard Shinder	03/25/02	1.0	Employee Matters	Follow-up discussion with P. Zilly re: compensation plan
David Blechman	03/19/02	2.5	Employee Matters	Analyzed comp plans by individual: responded to info request
David Blechman	03/19/02	1.0	Committee Matters and Creditor Meetings	Calls with F. Gilbert, B. McGowan, M. Alexander re same
David Blechman	03/25/02	2.0	Employee Matters	Analyzed comp plans by individual re: above request
David Blechman	03/28/02	0.5	Employee Matters	Call with J. Paul re: comp issues
David Blechman	03/28/02	0.5	Employee Matters	Call with B. McGowan, P. Zilly. M. Alexander re: comp issues
Michael Alexander	03/19/02	2.0	Employee Matters	Reviewed comp plan information
Michael Alexander	03/21/02	2.0	Employee Matters	Update comparable comp analysis
Michael Alexander	03/28/02	0.5	Employee Matters	Call with B. McGowan, P. Zilly, D. Bechman re: comp issues
Michael Alexander	03/28/02	3.5	Business Analysis	Prepared for call re 2002 operating plan and comp plan
Michael Alexander	03/28/02	1.0	Committee Matters and Creditor Meetings	Call with P&M re: '02 plan, comp
Michael Alexander	03/28/02	0.5	Business Analysis	Meeting with P. Zilly, D. Blechman re '02 plan, comp

Exhibit C

In response to the point . . . that professionals spent 164.5 hours on a compensation presentation, Blackstone respectfully directs the Fee Auditor to the following:

- 1) At the commencement of the case in April 2001 with the approval of the Court, the Debtors put in place a retention program that expires at the end of 2002 and a long-term incentive program for the three-year period 2002-2004. The Debtors recently filed a motion seeking the approval of (i) a new retention program for the period 2003-2004 (or earlier if a plan of reorganization is confirmed) and (ii) changes to the long-term incentive program.
- 2) Prior to the filing of the motion, at the request of the Debtors, (i) Blackstone assisted the Debtors in the formulation of the specific terms of the programs, (ii) prepared cost analyses of the programs, (iii) prepared and made presentations to the four committees and their financial advisors, (iv) answered numerous questions regarding the terms and cost of the programs from the financial advisors for the Unsecured Creditors, Personal Injury and Property Damage Committees, and (v) negotiated the compromise proposal with these three Committees which is reflected in the recently filed motion. The specific presentation referenced in the time records refers to drafts and final presentation presented to and discussed with the Committees and their advisors. The motion is scheduled for hearing on July 19. Although the objection deadline is not until July 9, Blackstone is confident based on its discussions with the Committees' advisors that there will be no objection from these constituencies notwithstanding their strong initial views to the contrary.

Blackstone's efforts during this period and into April, May and June with respect to the discussions and negotiations with the Committees' advisors resulted in a compromise proposal and eliminated the possibility of a contested hearing and the costs attended thereto and helped the Debtors put in place a retention and compensation program which they strongly feel is imperative to retaining key employees and to continuing the excellent operating performance realized to date.

Exhibit D

Pamela Zilly	01/07/02 1.0	Claims Analysis/Objections/ Administration	Meeting with D. Blechman re: EPA analysis
Pamela Zilly	01/15/02 2.0	Claims Analysis/Objections/ Administration	Review EPA analysis, discussion with D. Blechman, M. Alexander
Pamela Zilly	01/24/02 1.0	Claims Analysis/Objections/ Administration	Meeting with D. Blechman, M. Alexander re: EPA charts
David Blechman	01/07/02 1.0	Claims Analysis/Objections/ Administration	Meeting with P. Zilly re: EPA analysis
David Blechman	01/09/02 2.0	Claims Analysis/Objections/ Administration	Worked with M. Alexander on EPA analysis
David Blechman	01/15/02 1.0	Claims Analysis/Objections/ Administration	Mtg with M. Alexander on EPA analysis
David Blechman	01/23/02 1.0	Claims Analysis/Objections/ Administration	Mtg with P. Zilly, M. Alexander re EPA
David Blechman	01/29/02 2.0	Claims Analysis/Objections/ Administration	Reviewed EPA and analysis
David Blechman	01/29/02 1.0	Claims Analysis/Objections/ Administration	Revised EPA analysis
Michael Alexander	01/08/02 3.0	Claims Analysis/Objections/ Administration	Updated EPA analysis
Michael Alexander	01/09/02 2.0	Claims Analysis/Objections/ Administration	Discussed EPA analysis with D. Blechman
Michael Alexander	01/15/02 2.0	Claims Analysis/Objections/ Administration	Meeting with P. Zilly, D. Blechman EPA re: analysis
Michael Alexander	01/15/02 1.0	Claims Analysis/Objections/ Administration	Meeting with D. Blechman re: revised EPA analysis
Michael Alexander	01/22/02 3.5	Claims Analysis/Objections/ Administration	Modified EPA analysis
Michael Alexander	01/24/02 1.0	Claims Analysis/Objections/ Administration	Call with D. Siegel, P. Zilly, D. Blechman re: EPA analysis
Michael Alexander	01/24/02 1.0	Claims Analysis/Objections/ Administration	Meeting with P. Zilly, D. Blechman EPA re: analysis
Michael Alexander	01/29/02 2.5	Claims Analysis/Objections/ Administration	Revised EPA analysis

Exhibit E

Pamela Zilly	03/12/02	2.5	Committee Matters and Creditor Meetings	Travel to Columbia
Pamela Zilly	03/12/02	5.0	Committee Matters and Creditor Meetings	Meeting with Committee financial advisors re: 2002 business plan, KERP
Richard Shinder	03/12/02	2.5	Business Analysis	Travel to Columbia, MD; review of 2002 operating plan presentation
Richard Shinder	03/12/02	5.0	Business Analysis	Trip to Columbia to discuss 2002 operating plan with committee advisors
Richard Shinder	03/12/02	2.5	Employee Matters	Travel to New York; review of retention/LTIP materials
David Blechman	03/12/02	3.5	Committee Matters and Creditor Meetings	Traveled to Columbia, MD
David Blechman	03/12/02	5.0	Committee Matters and Creditor Meetings	Meetings with Creditor's advisors and management re: 02 op plan & comp issues
David Blechman	03/12/02	3.5	Committee Matters and Creditor Meetings	Traveled from Columbia, MD
Pamela Zilly	03/15/02	2.5	Committee Matters and Creditor Meetings	Travel to New York